



U.S. Department of Justice
United States Attorney
Eastern District of Pennsylvania

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FOR IMMEDIATE RELEASE

March 12, 2009

ALLENTOWN ATTORNEY CHARGED WITH DEFRAUDING CHARITY AND CHURCH IN \$500,000 SCHEME

Superseding indictment also alleges failure to report over \$5 million in income

ALLENTOWN – United States Attorney Laurie Magid today announced the filing of a superseding indictment¹ charging John P. Karoly, Jr., with one count of mail fraud, three counts of failing to report taxable income on his federal income tax returns, one count of conspiracy to commit wire fraud, two counts of wire fraud, and six counts of money laundering charitable proceeds through a church. Heather J. Kovacs, an employee of the Karoly Law Office, was also charged in the superseding indictment with two counts of failing to report taxable income on her federal income tax returns.

These charges are in addition to the September 2008 indictment in which Karoly, his son, John P. Karoly III, a/k/a J.P. Karoly, and John J. Shane, were indicted on one count of conspiracy and two counts of wire fraud. The original indictment alleges a scheme by the defendants to defraud the multi-million dollar estates of Karoly's brother and sister-in-law, Peter Karoly and Lauren Angstadt, by creating and submitting phony wills after the couple was killed in a plane crash.

The superseding indictment alleges that defendant John P. Karoly Jr. failed to report substantial amounts of taxable income on his federal income tax returns for calendar years 2002, 2004 and 2005, totaling approximately \$5.2 million.

The superseding indictment also alleges that in 2004, Karoly made a \$500,000 donation to the Lehigh Valley Community Foundation (LVCF), a non-profit organization in Allentown, Pennsylvania. In December 2005, Karoly created "The Urban Wilderness Foundation," became its president, and had sole signature authority. Unlike the Lehigh Valley Community Foundation, Urban Wilderness was not a tax exempt charity. According to the superseding indictment, on or about December 6, 2006, Karoly requested that LVCF transfer the \$500,000 donation he gave them, to his Urban Wilderness Foundation. By this time, however, Karoly had taken a tax deduction for the contribution to LVCF. When LVCF decided that Urban Wilderness did not qualify as a charity to receive the funds, it is alleged that Karoly circumvented the LVCF process

¹An Indictment or Information is an accusation. A defendant is presumed innocent unless and until proven guilty.

by recommending that the money be sent as a charitable grant to his church, which was a tax-exempt qualified organization. The charitable community foundation made grants to the church of approximately \$433,569. It is further alleged that Karoly then directed the church to give back to him approximately \$383,569 in the name of "The Urban Wilderness Foundation." The superseding indictment alleges that the funds were not used for charitable purposes but were, instead, used for the benefit of defendant Karoly.

"According to the superseding indictment, this defendant not only defrauded his own family, he subjected his own church and a charitable organization to his scheme," said Magid.

INFORMATION REGARDING THE DEFENDANTS

NAME	ADDRESS	AGE OR DATE OF BIRTH
John P. Karoly, Jr.	Allentown, PA	58
John J. Shane	Allentown, PA	72
John P. Karoly, III	Orefield, PA	28
Heather J. Kovacs	Schnecksville, PA	41

If convicted of all charges, defendant John P. Karoly Jr. faces a possible maximum sentence of 204 years imprisonment, a \$4,500,000 fine, 3 years supervised release and a \$1,500 special assessment. Defendants John J. Shane and J.P. Karoly face a possible maximum sentence of 45 years imprisonment, a \$750,000 fine, 3 years supervised release and a \$300 special victims/witness assessment. Defendant Heather J. Kovacs faces a possible maximum sentence of 6 years imprisonment, a \$ 500,000 fine, 1 year supervised release and a \$200 special assessment.

The case was investigated by the Federal Bureau of Investigation (Allentown Resident Agency) and the Internal Revenue Service, Criminal Investigation Division (Bethlehem Office). It is being prosecuted by Assistant United States Attorney Seth Weber.

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